

CIGARETTE OUTLET BRAND IMPACT PROGRAM

August 1994

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CIGARETTE OUTLET BRAND IMPACT PROGRAM

Cigarette Outlet Facts

	<u>1/93</u>	<u>1/94</u>	<u>8/94</u>
Total Stores	836	1899	2084
Average Volume	N/A	1438 CPW	1439 CPW
Share of Volume (K,A,B,C Accounts)	3%	5%	7%

- Emerging outlets - Share of retail stores and volume
- Receiving more support from manufacturers - PM Tobacco Store contract

CIGARETTE OUTLET BRAND IMPACT PROGRAM

Cigarette Outlet Characteristics

- **Multiple formats exist**
 - **I-95 accounts**
 - **Border/Indian Outlets**
 - **Neighborhood/Strip Center Outlets**
- **Shopping patterns differ, depending on format**
 - **I-95 accounts** - **Mostly drive-by customers**
Planned purchases
Multiple cartons
Heavily skewed to carton sales
 - **Border/Indian Outlets** - **Similar to I-95 outlets**
More repeat customers
Generally some pack sales
 - **Neighborhood/Strip Center Outlets** - **Mostly repeat customers**
Pack sales offer
promotion opportunity

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PM Approach:

- 1993
 - Used contracts designed for traditional carton outlets
 - Requirements varied by store
 - Interpretations of requirement not consistent
 - No recognizable impact
- 1994
 - Introduced Tobacco Store contract
 - Very targeted, disciplined approach
 - Requiring front 1/3 of store
 - Heavy signage requirements
 - Specific display location
 - Testing complete retrofit of store fixtures, displays - special signage
- Conclusion
 - PM values these accounts
 - Willing to commit resources to achieve dominant position

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Opportunities

- Standard RJR contracts/approach -- not effective in these outlets
Action - Cigarette Outlet Merchandising Contract developed to refine requirements based on opportunities
- Standard Full Price promotion activity -- not effective/offers and quantities insufficient
Action - Better understanding of opportunities, Co-Marketing for Cigarette Outlets
- Standard POS/PDI items utilized -- not effective -- outlets extremely competitive/cluttered
Action - Develop new PDI items/display vehicles/brand impact program to create excitement and awareness for RJR brands

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Objective:

- Establish strong brand presence in high volume, highly competitive retail outlets.

Approach:

- Utilize existing and new development signage to qualify retailers for RJR's Cigarette Outlet Merchandising Contract.
- Offer an additional "Signage Package" that enables field sales to take RJR brand exposure to the "next level".
- Provide additional incentive for retailers to reject competitive "exclusive signage/display" offers and ensure a more co-existence type environment.

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Program Highlights:

- Available to outlets that qualify for Cigarette Outlet contract.
- Menu:
 - Outside Signage
 - Window/Wall Signage
 - Interior Signage
 - Brand Specific Displays
- Qualifying signage is other than signs affixed to standard merchandisers (canopy, etc.) except OPM's.
- Payment available depending on participation and volume of retailer.

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Menu

Outside Signage

- Billboard (Large)*
- Billboards (2 small)*
(1 sheet/2 sheet)
- Awning*
- Store Name (Marquee)*
- Portable Ground Sign (Lighted)
- Ground Mount

Window/Wall Signage

- 15" x 49"
- 30" x 38"
- 4' x 8' Light Box*
- 3' x 6' Light Box*
- Neon Sign
- Neon Border Sign*

Large Brand Specific Displays

- Winston Select
- Winston Base
- Camel

Interior Signage

- Overhead Package Mdsrs*
- Y-Sign
- 15" x 49"
- 30" x 38"
- Other Development Items
 - Backlit Pricer (Menu)
 - Standee
 - Camel/Winston Checkout Counter

*Denotes "Major Item"

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Participation Level

- Store configurations/local restrictions/opportunities vary from store to store.
- Participation and impact of Brand Impact Program varies by:
 - PDI items selected
 - Competitive activity
- Participation level can be categorized as follows:
 - Average Impact - RJR has presence, account qualifies for Cigarette Outlet Merchandising Contract -- standard items
 - High Impact - RJR has at least parity in presence and location -- generally 1 or more major piece plus additional items
 - Major Impact - RJR has advantage to dominant presence and location -- generally 2 or more major piece, plus additional items

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Payment

- An additional payment is required to establish High or Major impact levels.

<u>Industry Volume</u>	<u>Participation Level</u>	<u>Payment</u>
500 - 999 CPW (Low Volume)	Average Impact	Qualifies for CO Contract
	High Impact	\$75
	Major Impact	\$125
1000 - 1499 CPW (Average Volume)	Average Impact	Qualifies for CO Contract
	High Impact	\$125
	Major Impact	\$175
1500+ CPW (High Volume)	Average Impact	Qualifies for CO Contract
	High Impact	\$175
	Major Impact	\$250

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Placement Guidelines

- PDI/Display items should be highly targeted for maximum impact.
 - Type and location
- Varying formats offer various impact targets

Example:

<u>Formats</u>	<u>Signage Types/Location</u>
I-95 Drive-by locations	Emphasis on large outdoor items (awnings/billboards, etc.) Capitalize on inside opportunities
Border/Indian Stores	Emphasis on large outdoor items Ensure proper mix, to include inside items
Neighborhood/Strip Center	Emphasis on indoor and outdoor items Ensure proper mix, to include items at point-of-sale

CIGARETTE OUTLET BRAND IMPACT PROGRAM

Program Cost

Payment

	<u>Current CO Contracts</u>	<u>Acceptance</u>	<u>Cost</u>	<u>Totals</u>
500 - 999 CPW	477	70% (333 stores)	\$100	\$399,600
1000 - 1499 CPW	244	70% (170 stores)	\$150	\$306,000
1500+ CPW	<u>327</u>	70% (<u>228 stores</u>)	\$225	<u>\$615,600</u>
	1048 stores	(731 stores)		\$1,321,200 Annual

Signage/Displays

500 - 999 CPW	477	70% (333 stores)	\$2,500	\$832,500
1000 - 1499 CPW	244	70% (170 stores)	\$5,000	\$850,000
1500+ CPW	<u>327</u>	70% (<u>228 stores</u>)	\$8,000	<u>\$1,824,000</u>
	1048 stores	(731 stores)		<u>\$3,506,500</u> Annual

TOTAL PROGRAM COST \$4,827,700

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Summary

- Bigger and larger presence is required for RJR brands in CO's
- RJR can achieve improved presence by:
 - Placing PDI/display items suitable to the CO environment
 - Reinforcing placements with minimal payment to retailer
 - PM paying \$880 - \$2,000+
 - RJR positioned as the clear #2 payment
 - Entices retailer to refuse exclusivity
- Program should be tested immediately and available to all CO's 1/95 if successful.

CIGARETTE OUTLET BRAND IMPACT PROGRAM

EXHIBIT 1

REGION NAME -

Buffalo

REGION # - 1600

	ACCT NAME	S.I.S. #	ADD'L BIP \$ (\$75-\$250)
RETAILER 1	Smoky Joe's	xxxxxx	*175
RETAILER 2	Cigs & Stuff	xxxxxx	*125
RETAILER 3	JR's	xxxxxx	*75
RETAILER 4	Sequoia #21	xxxxxx	*250
RETAILER 5	Handy's	xxxxxx	*125
RETAILER 6	B & R Tob.	xxxxxx	*250
RETAILER 7	Third World	xxxxxx	*75
RETAILER 8	Lulu Smokes	xxxxxx	*175

EXAMPLE

ITEM	RETAILER 1	RETAILER 2	RETAILER 3	RETAILER 4	RETAILER 5	RETAILER 6	RETAILER 7	RETAILER 8
LARGE BILLBOARD					1			
SMALL BILLBOARD		1						
AWNING				1				1
STORE NAME MARQUEE						1	1	
PORTABLE LIT GROUND SIGN	1							
GROUND MOUNT			2				1	
15" X 49" SIGN								
30" X 38" SIGN		1			1			
4' X 8' WINDOW LITE BOX	1							
3' X 6' WINDOW LITE BOX						1		1
NEON SIGN			1	1				
NEON BORDER SIGN				1	1	1		1
OVERHEAD PACKAGE RACK	1							
Y SIGN							1	
BACKLIT MENU PRICER			1					
STANDEE		1						
WIN-CAM CHECKOUT CTR.						1		

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CIGARETTE OUTLET BRAND IMPACT PROGRAM

EXHIBIT 1

REGION NAME - _____

REGION # - _____

	ACCT NAME	S.I.S. #	ADD'L BIP \$ (\$75-\$250)
RETAILER 1			
RETAILER 2			
RETAILER 3			
RETAILER 4			
RETAILER 5			
RETAILER 6			
RETAILER 7			
RETAILER 8			

ITEM	RETAILER 1	RETAILER 2	RETAILER 3	RETAILER 4	RETAILER 5	RETAILER 6	RETAILER 7	RETAILER 8
LARGE BILLBOARD								
SMALL BILLBOARD								
AWNING								
STORE NAME MARQUEE								
PORTABLE LIT GROUND SIGN								
GROUND MOUNT								
15" X 49" SIGN								
30" X 38" SIGN								
4' X 8' WINDOW LITE BOX								
3' X 6' WINDOW LITE BOX								
NEON SIGN								
NEON BORDER SIGN								
OVERHEAD PACKAGE RACK								
Y SIGN								
BACKLIT MENU PRICER								
STANDEE								
WIN-CAM CHECKOUT CTR.								

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Acct	Name	RJRCV	WCV	Seg	Typ	Phone Nbr	Chain Id	Wholesaler
289916	UMK INCORPORATED		300	CO	R	718-549-3175		598825
289838	PRICE SMASHERS		400	CO	R	212-884-7015		558933
289940	D&A TRADING CORP		500	CO	R	718-548-4535		558933
787809	2334 ARTHUR AVE		500	CO	R	718-584-4281		340350
063310	PLAZA PHARMACY		500	CO	R	212-365-8148		550558
289320	DHARINI DISCOUNT		500	CO	R	212-822-4143		340350
579074	J&B STATIONARY		1000	CO	R	718-824-3458		564935
433631	R & R SQ DISCOUN		500	CO	R	718-822-2864		
649599	NATHAS STATIONER		600	CO	R	718-204-7086		550558
294871	EVERYBODY'S DISC.		550	CO	R	718-721-4315		544848
488550	VAIBHAN LAXMI GR		1300	CO	R	718-204-8803		544848
788765	DAISY TOBACCO		600	CO	R	718-458-3939		544848
788438	CHA SMOKE SHOP		1500	CO	R	718-937-4426		598825
294987	ROCKLINE NEWS		500	CO	R	718-424-7646		544848
140139	BUDRAM, INC.		300	CO	R	718-651-9888		544848

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Acct	Name	RJRCV	WCV	Seg	Typ	Phone Nbr	Chain Id	Wholesaler
959979	PRONTO NEWS		1300	CO	R	718-429-0929		598825
294602	JOSEPH LOCK&ALAR		1300	CO	R	718-672-2572		598825
294510	KELLY'S LUNCH IN		500	CO	R	718-478-6910		598825
762799	D & J GENERAL ST		300	CO	R	718-899-4306		296821
788633	CORNER VARIETY		550	CO	R	718-386-5183		624300
498019	TIPH STATIONERY		521	CO	R	718-821-5453		624300
789053	MASPETH EXPRESS		600	CO	R	718-397-5633		550558
295864	BELL DISCOUNT		500	CO	R	718-821-6585		598825
578632	MAC GROCERY		500	CO	R	718-805-1308		624300
532123	VIMAL STATIONERY		500	CO	R	718-843-7409		550558
050666	KWEESEO KIM		525	CO	R	718-843-7273		624300
788622	RAGTIME NEWSTAND		500	CO	R	718-843-6958		624300

NOTE: 'X' Accts to View Detail, 'A' in Top Acct to view all Selected Accts

PF1 = Account Selection Menu PF2 = Begin of Acct Group

PF10 = Left PF11 = Right PF9 = CONTRACTS

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Acct	Name	RJRCV	WCV	Seg	Typ	Phone Nbr	Chain Id	Wholesaler
613928	KHATERI		200 CO		R	718-338-1305		
408536	KHAWAJA STAT. IN		1000 CO		R	718-236-5097		065880
785112	NJM VARIETY		600 CO		R	718-236-3332		
553463	DAISY VARIETY		1600 CO		R	718-266-1109		065760
406945	SAKMAN CANDY STO		500 CO		R	718-836-7771		227120
579571	OPTIMO & COS DIS		500 CO		R	718-836-1944		227120
613464	LEE'S DISCOUNT		550 CO		R	718-273-0783		540710
391612	P&H INC		525 CO		R	718-948-2899		065880

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Acct	Name	RJRCV	WCV	Seg	Typ	Phone Nbr	Chain Id	Wholesaler
399392	BIG VARIETY		975 CO		R	201-261-4882		488910
643060	TEI MOBIL		700 CO		R	201-944-3662		658500
642976	JR'S WHOLESALE		800 CO		R	201-279-5370		488910
399648	MARINA STATIONER		600 CO		R	201-773-1281		363720

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Acct	Name	RJRCV	WCV	Seg	Typ	Phone Nbr	Chain Id	Wholesaler
585255	MARTINEZ TARRA S		700 CO		R	201-485-6965		379800
772613	ONE STOP DELI		520 CO		R	908-245-7160		083160
471327	APCO AGENCIES		250 CO		R	908-969-0077		217281
615977	NICASSIA MAIN		425 CO		R	201-494-4866		386598
402151	NANNIS GROCERY		534 CO		R	908-572-0289		217281
270426	VAN'S GENERAL ST		700 CO		R	201-246-4967		488910
402159	BECKERS NEWS		750 CO		R	908-254-9780		386598
430439	RACEWAY GAS		750 CO		R	908-525-9810	52690000	536808
086005	PIT STOP EXPRESS		200 CO		R	908-651-0281		217281
402412	JAMESBURG DELI		530 CO		R	908-521-3644		026096

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CENTRAL JERSEY

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Acct	Name	RJRCV	WCV	Seg	Typ	Phone Nbr	Chain Id	Wholesaler
931354	BUS CAMP SMOKE S		500	CO	R	212-675-8409		598825
331289	STUYVESANT CONVE		500	CO	R	212-353-8566		396840
784141	SWAMI SMOKE SHOP		400	CO	R	212-477-5991		396840
287189	PATEL NEWS		500	CO	R	212-695-2950		550558
931347	PENNY ARCADE		500	CO	R	212-868-4776		
401336	LEE'S SMOKE SHOP		500	CO	R	212-697-8183		529392
243732	M & N SMOKE & CA		500	CO	R	212-684-2299		
569050	A & S SMOKE		500	CO	R	212-889-7361		396840
495703	J&R IMPORTED CIG		1000	CO	R	212-983-4160		550558
072503	MR. FOOD		400	CO	R	212-643-8918		049957
288255	ESCO DRUG		500	CO	R	212-246-8169		598825
931552	TABASM NEWSSTAND		400	CO	R	212-744-6197		
447091	TE-AMO DISCOUNT		500	CO	R	212-956-2792		550558
068545	SABA GROCERY		650	CO	R	212-247-2492		396840
572665	OPTIMO DISCOUNT		500	CO	R	212-875-9685		015240

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Acct	Name	RJRCV	WCV	Seg	Typ	Phone Nbr	Chain Id	Wholesaler
288374	SENCO CIGARETTES		875	CO	R	212-874-7146		227120
784761	DISCOUNT PLACE		500	CO	R	212-472-4514		049957
783772	ALGABYALI DISCOU		500	CO	R	212-861-1202		015240
287952	GOLD LEAF EXPRES		600	CO	R	212-427-1525		564935
931429	DON DIEGO		500	CO	R	212-423-9631		598825
056987	1411 CANDY STORE		500	CO	R	212-734-5489		015240
371439	AGABALI III		500	CO	R	212-535-4265		015240
783825	A&M NEWSSTAND IN		360	CO	R	212-249-1440		598825
446852	SPS INTERNATIONAL		700	CO	R	212-222-4755		550558

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Manhattan #2

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